

# SUBSIDY CONTROL GUIDANCE

Response to the UK Government consultation from the Industrial Communities Alliance

## **Industrial Communities Alliance**

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales. Our member authorities cover many of the most economically disadvantaged parts in the UK.

The Alliance strongly supports the government's aspiration to Level Up the UK and welcomes the intention to use the new Subsidy Control regime to help deliver this objective.

This submission draws on discussions at national and regional meetings of the Alliance over an extended period and has been signed off by the Alliance National Executive.

## **Targeting disadvantaged areas**

The Alliance welcomes the opportunity to respond to the consultation on the guidance for the Subsidy Control Act 2022. We responded in 2021 to the earlier consultation on the design of the new approach and, as the department will be aware, our concerns centre on the rules covering aid to businesses in disadvantaged areas.

It is with regret that we note that in a letter to our National Chair Cllr Keith Cunliffe, dated 9 May, BEIS minister Paul Scully explained that the government does not see the need for an Assisted Area map. A map of this kind, defining the places where higher rates of financial assistance are allowed, had been a feature not only of EU State Aid rules but also of UK regional policy long before EU membership. An Assisted Area map provided clarity for all concerned – businesses and public bodies – and helped steer investment to where it was needed most.

We do however note that the government's intention, explained in the covering note in the guidance, is to create three 'Streamlined Routes', one of which will cover Levelling Up. Using the Streamlined Routes, public authorities will be able to provide subsidies without carrying out a separate assessment against the principles set out in the Act. This is welcome. If constructed with care, a Streamlined Route for Levelling Up could still allow the higher rates of assistance that are justifiable in the more disadvantaged parts of the UK. Clearly, much depends on the details. With this in mind, the Industrial Communities Alliance would like to propose:

- That BEIS officials urgently open a dialogue with the Alliance. This was promised in the ministerial letter of 9 May but has so far not materialised despite encouragement in the response to the minister from the Alliance National Chair dated 7 June. Our National Secretariat and our member authorities can bring to bear substantial expertise, knowledge and experience.
- That the draft details of the proposed Streamlined Routes, and in particular the one covering Levelling Up, are the subject of a full public consultation prior to being finalised.

The issues we would expect the proposed Streamlined Route on Levelling Up to address include:

- The statistical criteria used to define a disadvantaged area. On this point we note the requirement in the *Joint Declaration on Subsidy Control Policies*, signed between the UK and EU, to take account of “the socio-economic situation of the disadvantaged area concerned”.
- A hierarchy of disadvantaged areas, as under EU rules and under previous UK regional policies, with different aid intensity ceilings.
- Differentiation in the rates of financial support allowed for large, medium and small firms.
- Aid intensity ceilings that allow financial support to make a real difference to business decisions.

We note that the draft guidance includes reference to “measures or statistical indicators set against appropriate comparators (such as regional or national averages)” (para. 117). The specification of indicators and the appropriate geography for their measurement are central to an approach that is able to deliver effective targeting as well as clarity for all concerned.

***Industrial Communities Alliance***  
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